



"Customers For Life."



“One grade only, and that the best . . . has made GM of Canada Number One.”

The past year proved to be one of the most challenging ever faced by the people of General Motors of Canada.

Softening economies in both Canada and the U.S., consumer resistance to increasing personal debt, and high interest rates – all trends which had begun to develop earlier in the year – deepened, and combined to weaken demand for new vehicles.

One result of this weakening was the temporary suspension of production at several GM of Canada plants during the fourth quarter of 1989, and continuing into the first quarter of 1990.

In addition, competition in the marketplace dramatically intensified as several overseas manufacturers in North America either began operation or increased production in 1989.

Under these conditions, GM of Canada dealers sold 340,276 passenger cars, down 10.4 percent for the year, and 169,461 trucks, a 5.4 percent decline from last year's record level. However, total truck deliveries were the third best on record.

Last year also marked the third year of major transition for GM of Canada. At GM Autoplex in Oshawa, our Car Plant #1 began production of the all new, mid-size Chevrolet Lumina, while Car Plant #2 continued building Buick Regal coupes and began preparations to assemble the four-door sedan for its introduction to the public in early 1990.

The Truck Plant operated at capacity assembling full-size pickup trucks for the North American market, and increased production of the very popular extended cab/short box model.



“Our vision is to have purchasers become our “Customers For Life.”



Generations of satisfied customers like this mother and her young daughter have come to depend upon the reliability of General Motors' products. GM of Canada is committed to ensuring that customer expectations are met – and exceeded.

Construction of a new paint shop at our Ste. Therese, Quebec car assembly plant was completed in 1989, and the Chevrolet Celebrity station wagons and Oldsmobile Cieras produced there now receive an unmatched-for-quality paint finish.

Production at GM of Canada's Engine Plant in St. Catharines, Ontario continued to accelerate toward full capacity in 1989 in order to meet demand for the 3.1-litre, V6 engine used in many of GM's mid-size products.

Capital expenditures in 1989 totalled \$1,023.3 million, capping off an impressive decade of investment in the business which totalled \$8.1 billion.

N E T S A L E S (billions of dollars)



Last year also saw a continuation of our ambitious five-year \$250 million employee training program, an important demonstration of our commitment to improve the skill-level of the organization so necessary for long term success.

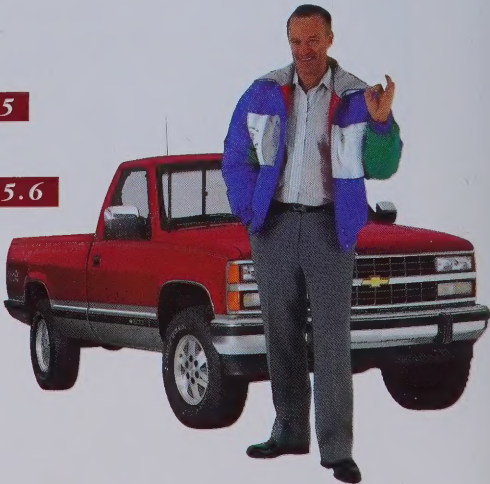
Production from our five assembly plants in 1989 totalled 736,682 passenger cars, trucks and full-size vans for the North American market.

GM of Canada's 1989 sales of \$19.7 billion exceeded the previous high of \$19.3 billion in 1988. However, net income declined from \$359 million in 1988 to \$236 million. This lower level of earnings was more than accounted for by the impact of higher depreciation and special tool amortization associated with the new products being built at GM of Canada, as well as the high cost of consumer incentives required to remain competitive in today's marketplace.

In 1989, General Motors of Canada vigorously pursued its primary goal of attracting and retaining "Customers For Life", by offering products of unsurpassed quality and value. An excellent illustration of this in 1989 was the ranking of the

U N I T S A L E S (in Canada)

Cars (thousands) Trucks (thousands)



Buick LeSabre, by the independent J.D. Power survey of new car buyers, as the most trouble-free car built in North America.

The continuing facilities modernization program, and the introduction of new and totally redesigned vehicles are just two of our key strategies to attract customers and retain their loyalty in the years ahead.

New models introduced during the year, to name but a few, included the Chevrolet Lumina family – coupe, sedan and the multi-purpose APV – the Pontiac Trans Sport, convertible versions of the Chevrolet Beretta and Oldsmobile Cutlass



I N V E S T M E N T S (millions of dollars)

<i>\$1,023.3</i>	<i>1989</i>
<i>\$923.8</i>	<i>1988</i>
<i>\$928.5</i>	<i>1987</i>

Supreme, and the “Topkick”, GM’s first all new medium duty truck in 25 years.

The GM of Canada/Suzuki joint venture plant (CAMI Automotive) in Ingersoll, Ontario began assembly of the Chevrolet/GMC Tracker in April of 1989, and added Chevrolet Sprint and Pontiac Firefly sub-compact models in November.

All these products have helped to strengthen GM of Canada’s presence in their specific market segments, and to build the foundation for further growth in our extremely competitive environment.

Last year, GM announced full-size van assembly would be consolidated in Flint, Michigan. Production of that model at our plant in Scarborough, Ontario will continue at least through the 1991 model year, and the facility will receive consideration for a possible replacement product.

Consolidation of GM’s North American diesel electric locomotive final assembly operations at GM of Canada’s Diesel Division in London, Ontario, coupled with steady demand from railroads around the world, resulted in record orders in 1989.

For 1990, our pledge is to be responsive to the dictates of the market and to rededicate ourselves to the goal of attracting new customers while retaining our current owner base. This will demand a continuing commitment to ensure that all our products and services not only meet customer expectations, but exceed them.

It will also require the concerted efforts of all the men and women of General Motors of Canada. Such dedication has always been their hallmark, and I am confident that we will succeed in our vision to have purchasers of GM vehicles and services become our “Customers For Life”.

George Peapples

George A. Peapples President and General Manager



“The construction industry is one which operates year-round now, no matter the weather conditions, so it’s imperative that every vehicle we own is absolutely reliable at all times. Our GM vehicles are totally dependable, even on the coldest, snowiest winter days. And they stand up well to the hard usage they get in our business.”

(John Guildford, Dartmouth, Nova Scotia)

When the temperature is forty below zero it really doesn’t matter whether you’re talking Fahrenheit or Celsius. It’s pretty much the same thing – very, VERY cold! In Oshawa’s Experimental Engineering Building, as Boyd Wood clambers into a down-filled, Arctic-weather suit preparatory to entering GM of Canada’s “Cold Room,” he knows he’s in for a few uncomfortable hours. Here, at –40C, General Motors products are literally frozen, to give GM of Canada’s engineering department some answers to vehicle performance in extremes of cold. At GM’s Cold Weather Development Centre in Kapuskasing, Northern Ontario, and at GM’s Desert Proving Grounds in Mesa, Arizona, engineers study the performance and reliability of many types of vehicles under extremes of weather conditions, at both the low and high ends of the temperature scale.

Putting man and machine to such lengths is further evidence that the vision of “Customers For Life” for GM of Canada is a most serious one. The ability to put top quality GM products into dealer showrooms, onto the driveways and into the garages of satisfied customers throughout North America is one which requires teamwork and demands from engineers the utmost in innovation and inventiveness.

Rich Taylor, Director of Engineering at General Motors of Canada, says studying performance and testing vehicle reliability under the worst possible conditions is just one of the many methods GM uses to ensure it builds superior products. Many initiatives undertaken by auto engineers at GM are the direct result of customer feedback.



It's deepest winter in July for Boyd Wood of Experimental Engineering in Oshawa when he takes the temperature of a Pontiac Firefly in the "Cold Room" and finds it's -40C.

"The stated requirements of customers play the most important part."

"We pay a lot of attention to the voice of the customer. We organize clinics in various areas and invite customers to tell us how we're doing; how they like their cars, vans or trucks; what they don't like; what they'd like to see changed or done differently," he says. "Sometimes there are situations which are hard to define from the way they're described, so we put engineers in the back seats of customers' vehicles to let them experience what the customers experience. We get some very useful information at clinics such as these and programs have been designed in response to them. You have to start with what the customer wants," Taylor says, reiterating that, at General Motors, throughout the extensive process of vehicle design, development of specifications, and in manufacturing and building the vehicles for sale, the stated requirements of customers play the most important part.

Engineering makes significant contributions to the development of teamwork and the building of strong partnerships within the company. Close proximity to manufacturing operations in the car and truck assembly plants makes skilled personnel available to provide immediate help whenever required. Engineering's relationship with marketing and sales gives insight into what the customer requires and what needs to be done to have the best possible product lineup. Its people – like all GM of Canada



Two field engineers in the GM of Canada Product Assurance Program, Keith Ball (left) and Jack Premesler, compare notes while putting a Buick Regal through a rugged road test.

“Our many feedback mechanisms all act as early warning devices.”

employees – are motivated by the knowledge that, not only are the company’s products among the best in the world, they are also continually improving.

And GM of Canada’s customers benefit from all of this, as they also do through such initiatives as the Product Assurance Program, designed to prevent product problems. GM of Canada engineer Karen Low says “every type of vehicle a Canadian could possibly own goes through Product Assurance. We cover everything made by the Chevrolet-Pontiac-GM of Canada Group (C-P-C), Buick-Oldsmobile-Cadillac (B-O-C), Passport International and the Truck and Bus Group.”

Activities range from field fleet testing in “abusive environments”, (the depth of a Montreal winter, for example); “ride programs”, where employees test vehicles over specific routes and file reports, and strenuous workouts on products are conducted by highly-trained, two-person field engineer teams. “These are just three of our many feedback mechanisms,” says Product Assurance Manager Terry Nicholas. “And they all act as early warning devices to allow us to increase customer satisfaction through prevention and by quicker response to customer needs in support of our “Customers For Life” vision.”



“I’ve always liked the luxury of the Cadillac and I’ve had 29 of them. They’re better than any other car I’ve ever driven, including some of those foreign ones costing \$80 – \$90,000. They weren’t as big inside; they weren’t as comfortable; they weren’t as nicely finished. They just weren’t comparable. Cadillac is a car I can have fun with. I want ‘get up and go’.”

(Bill Cowley, Edmonton, Alberta)

Competition in the auto industry continues to intensify. Recognizing that no manufacturer has exclusive claims on today’s customers, General Motors of Canada is determined to be the company which earns – and retains – their loyalty. Knowledgeable men and women, these customers base their vehicle purchase decisions on such factors as quality, technology, customer service, price, styling and fuel economy.

GM of Canada has developed a singularly high level of responsiveness to its customers. Combined with a determination to build top-quality vehicles, this has resulted in customer expectations being met and exceeded. “Quality, reliability, durability – to Canadians in the market to buy cars, vans and trucks today, these are absolute prerequisites,” says Don Blight, Vice President and Director of Operations for GM of Canada. “The most important thing to remember, from the standpoint of operations, is that we’re here to build the best quality vehicle possible. It must always be our goal to exceed the customer’s quality expectations, whenever we can.”

The ultimate quality objective is to build products which “are built right the first time; which present customers with no problems,” Blight says. “Process controls are introduced regularly to ensure today’s vehicles are improvements over yesterday’s. And we have the workforce to ensure that’s the case. As a member of the President’s Quality Council, I have the opportunity to spend considerable time in the various plants. There’s a remarkable feeling I get just walking through them, talking to the people working on manufacturing and assembly, in the trim and hardware and other

areas – union and non-union personnel alike – just everyone, everywhere. They're proud of the GM family heritage and they share our vision of being all that we can be. GM is still number one and, through continuously high levels of performance, those workers intend to make sure that doesn't ever change."

Blight also notes that stringent standards of supplier performance have been established. Through its "Targets For Excellence" program, GM guarantees suppliers demonstrate their dedication to the highest levels of quality and continuous improvement, otherwise the manufacturing operation cannot achieve its quality goals. Three Canadian companies were awarded the coveted "Mark Of Excellence" award in 1989, for performance and standards of quality achieved. Libbey Owens Ford Glass, Collingwood, Ontario; Goodyear Canada, Valleyfield, Quebec, and Dualtec Electronics, Mississauga, Ontario, a division of Magna International, were judged by GM of Canada to have excelled in all five key business areas: quality; cost; delivery; technology; management. Each contributed consistently and materially to the strong competitive position GM enjoys by virtue of the top quality cars, trucks and vans offered for sale or lease through its dealerships to customers it intends to keep for life.

One outstanding example of what the vision of "Customers For Life" means to GM

"Union and non-union personnel alike are proud of the GM family heritage."



GM of Canada's "Mark of Excellence" award for high standards of performance and quality achieved was won by three suppliers, including Goodyear Canada, Valleyfield, Quebec.

of Canada is clearly evident in regular “Customer Satisfaction” meetings, held on a rotating basis in the Canadian manufacturing plants. There, small groups of recent buyers of GM products have the opportunity to meet informally with members of the President’s Quality Council and dealer representatives, as well as plant personnel who have been directly involved with those products. Chaired by George Peapples, the group also includes senior company representatives from areas such as marketing, operations and engineering. Customers are invited to share their opinions of the products, rating them on everything from quality and performance to fit and finish. They’re asked to be frank in telling whether their new vehicle met their expectations, in describing their buying experiences and in discussing such topics as dealer post-purchase service and follow-up.

These meetings have provided constructive feedback and useful information. In one particular instance, Blight says, customer reports made it clear there was an interior dust problem in the early models of Oshawa-built fullsize pickup trucks. “It was obviously a major customer concern, so . . . we immediately went in and fixed it.”

When customers talk, General Motors of Canada listens – and then acts.

“Customers are invited to share their opinions. They’re asked to be frank.”



Bob Scott, a tool-setter on the disc brake product line at the St. Catharines Component Plant, checks setup and adjusts tool feed rates on the advanced CNC Fischer Turning Machine.



“I wouldn’t know anything about how many litres in an engine. I’m not a car buff, but there are certain things I want, like an engine with guts and a car that’s fun to drive. I looked at a few others but the Cavalier Z24 was in my price range, it’s attractive and everything I had heard and read about it was good. So I bought one, and it’s been great.”

(Jane Cotter, Vancouver, British Columbia)

“The customer is here,” says Bill Atkinson, right hand held steady, horizontally, approximately six inches above and in front of his eyes. “We have to keep working towards everyone being focussed on that. And we challenge every employee to think carefully about how each one can assist, or make a positive difference, to that.” As GM of Canada’s Vice President of Marketing, Atkinson heads a strong, informed team. Its members are dedicated to developing and implementing strategies which will continually improve the company’s responsiveness to its customers as well as providing a degree of service unmatched anywhere.

This objective – to reach an unparalleled level of customer satisfaction – has as its eventual target the reduction to zero of the percentage of customers who return in dissatisfaction to their dealers’ service department. “Not to fifteen percent . . . or twelve . . . or five. To zero percent,” says Atkinson, firmly. This will be accomplished by doing whatever is necessary to become known as the organization which solves – the first time – any problems GM customers have with their cars, vans or trucks, anywhere in Canada.

One vital element in this strategy involves development of a pool of highly skilled dealer technicians, through a GM-specific apprenticeship program and through

continuing education. The Automotive Service Educational Program was created in 1987 to provide specialized training on GM products to apprenticeship students, sponsored and employed by General Motors of Canada dealers. In this cooperative effort between government and industry, technicians, taught by GM-trained instructors, become fully skilled on General Motors products in a program which can be completed successfully in three years rather than up to five. Also, in our continuing education project, it is planned to give every fully-qualified GM of Canada dealer technician a minimum of three days training each year in community college-instructed courses.

In addition to activities such as regular customer satisfaction meetings, GM of Canada's "Customers For Life" vision is pursued through the Customer and Technical Assistance Centres. Toll-free numbers make fully-trained staff quickly and easily accessible from anywhere in Canada – handling calls from customers seeking advice and vehicle service questions from dealership technicians.

"Our objective is to reach an unparalleled level of customer satisfaction."



It was an exciting day for the Tilley family of Oshawa, Ontario, when they picked up the keys to their 1990 Chevrolet Lumina APV, a front-wheel drive, aerodynamic, all-purpose vehicle.

Strategies such as these are consistent with the positive changes which have occurred continually within GM of Canada during the 1980s, resulting in improved responsiveness and a more accountable organization. Marketing systems and methods were restructured and education, training, coaching and counselling programs introduced to aid in establishing capable, experienced marketing teams. Research shows that no one person can accurately predict every customer requirement, but these marketing teams guarantee that an expert and authoritative GM or GM dealer representative will not only always be available, but will also have the capability to quickly respond to – and act on – any challenge a customer may have.

Every member of a General Motors of Canada or Passport International dealership, from the dealer principal to the most recent addition to the staff, recognizes that new and different skills and attributes are required to win the escalating and increasingly more fierce battle to retain present customers and add new ones.

They are proving, every day, everywhere, that they are equal to the challenge.

“ . . . improved responsiveness and a more accountable organization.”



Men and women in the Automotive Service Educational Program – future service technicians in Canadian GM dealerships – are taught by skilled General Motors-trained instructors.



“This is our first General Motors car and, since we are a young couple with a baby, we’re expecting to keep it for some time. We have complete faith in the GM dealer’s service personnel who will be responsible for keeping it in trouble-free running order. We love our Corsica and we want the next family which owns our car to enjoy it too.”

(Frank and Debbie Bergin, Toronto, Ontario)

What makes a “Customer For Life”? A typical response comes from Don Malcolm of Toronto, who was driving a competitor’s product in 1959 and had a lot of trouble with it. “The dealer wasn’t helpful at all; wouldn’t even take it back on a trade,” Malcolm says. “So I called a GM dealer I knew – I reached him at night, at home, I remember – and he told me not to worry; to bring the car in the next morning. I traded it on a new Buick and I’ve been dealing there ever since.”

That type of support from his dealer, as much as the product itself, has made Don Malcolm a GM of Canada customer for 30 years and a purchaser of more than 20 GM cars in that time. Every GM of Canada and Passport International dealer across the country realizes that to earn customer trust, respect and loyalty, one of the most critical keys to success is the development of a supportive relationship built upon immediate, positive responsiveness to customer needs, whatever the need is or whenever it occurs, anywhere in Canada.

Within GM of Canada it is no different. The process whereby vehicles go from the concept stage to design, through development, engineering, manufacturing, marketing and sales and, ultimately, from the dealer’s showroom to the customer, is long and complex. It requires a team effort, with everyone working together, responding to

the needs of other team members. Each member of that team – almost 90,000 men and women employed either by GM of Canada or its more than 1,000 GM of Canada and Passport International dealerships – has an important role to play. And each one of these men and women is fully aware of that.

Terry Holmes, GM of Canada's Vice President of Finance, and a member of the President's "Vision Circle", a company-wide future-planning group chaired by George Peapples and composed of senior executives, says: "This is one of the biggest organizations in Canada. For us to be effective we have to pull together; we have to know where we are going. Each one of us also has to believe, no matter which job we perform, that as individuals, we DO make a difference and we DO care about our customers. It is a belief which needs to be shared by every member of our workforce," Holmes says. "GM of Canada employees engaged in design, assembly or marketing, for example, are aware of the direct and positive influence they have on customer satisfaction, while those in support staffs – personnel, legal, finance and others – can't always make this connection. It may be more indirect, but it DOES exist," he says.



"For us to be effective, we have to pull together; know where we're going."



At GM of Canada's Radiator Plant in Oshawa, John Vandenberg and Kelly O'Connor check inventory and quality data on radiators destined for delivery to the two Oshawa car assembly plants.

“Each of us at GM has internal ‘customers’. We can clearly identify them and we know we are responsible for satisfying their daily needs,” Holmes says. “By tracking the progress of any individual’s efforts within the company it is possible to see how the work done by those internal customers combines to directly affect those outside the company – the people we wish to purchase our products.” This support – provided by employees within GM of Canada to one another – is a most important element in making this chain of customers work.

The essential message to every General Motors of Canada employee is that each individual has a responsibility, in the customer’s eyes, to be doing something positive for him or her and that each employee’s effort must, somehow, have a positive and a lasting impact on the customer.

“We look upon ourselves as a proud and fulfilled workforce, building on the GM family heritage,” Holmes says, “and this knowledge is important to every one of our customers, dealers and employees in Canada.”

“At GM of Canada we look upon ourselves as a proud and fulfilled workforce.”



Team members Paul Wilson (left) and Paul Cree work together to ready doors for installation on a new Lumina. Their efforts ensure that the customer will be completely satisfied.



“As parents of a young family, my wife and I hope our children can grow up in a safe and healthy environment. Everything we hear about what the auto industry in general, and GM in particular, is doing to reduce pollution is most commendable. The environment is one of the most valuable assets Canadians have. We must protect it.”

(Rock Langevin, Maniwaki, Quebec)

We have some interesting neighbours at our new Head Office on Lake Ontario's shore, near Oshawa. They include as many as 275 different species of birds, among a wide variety of wildlife species – either permanent residents or regular visitors to the adjacent conservation area. In planning, designing and locating the new building for over one thousand GM of Canada personnel we ensured that nature, and the habitat in which it flourishes, was protected, to be enjoyed by all. We believe in sustainable development – growth today without damaging the future.

We share with all Canadians the objective of protecting this country's land, air and water resources and have taken action on our concerns regarding the future of the natural environment.

Recognizing that vehicle emissions are a major concern, General Motors was the first major auto manufacturer to develop a full carline operating on unleaded fuels and pioneered the use of catalytic converters on car engines. Testing done on GM vehicles shows exhaust emissions have been reduced by 90 percent, on average. GM of Canada has “lead-responsibility” in the development of methanol-fuelled vehicles. In 1989, 20 Chevrolet Corsicas were refitted to operate on a methanol/gasoline mixture and



It's almost the end of a winter workday for more than 1,000 GM of Canada employees at the new Head Office in Oshawa, overlooking Lake Ontario and a protected wildlife sanctuary.

“We share with all Canadians the objective of protecting this country’s resources.”

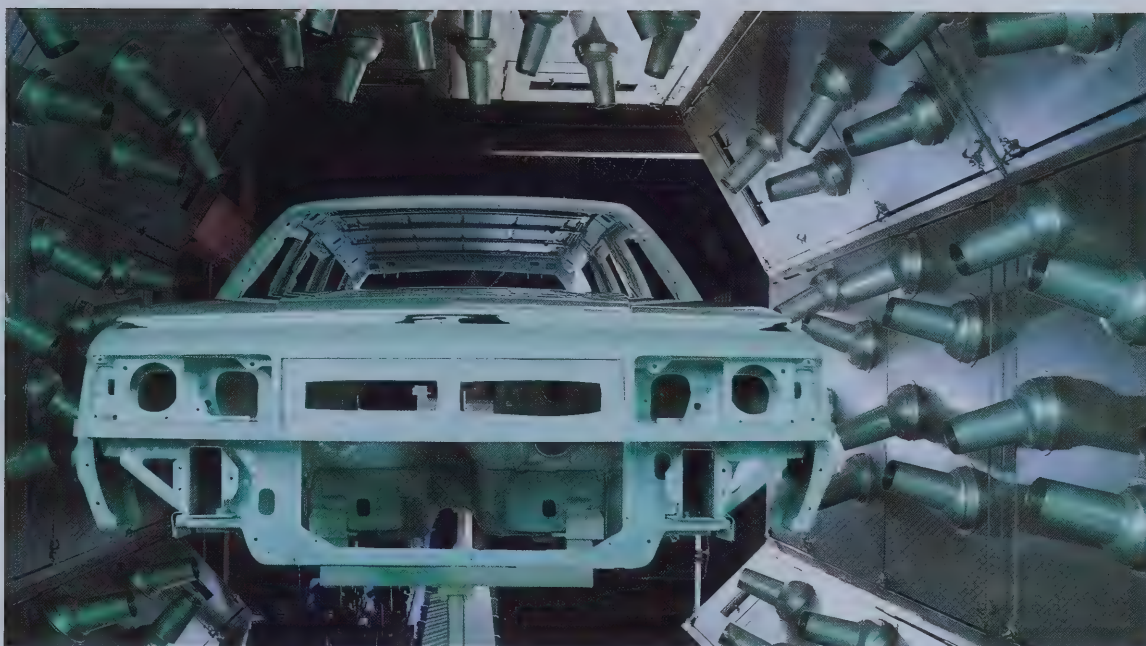
2,200 Oshawa-built methanol Chevrolet Luminas will be produced for future demonstration in California.

GM supports the Montreal Protocol, which controls substances depleting the ozone layer. We are moving aggressively to redesign mobile air conditioners to use a non-chlorofluorocarbon (CFC) refrigerant, to be phased in beginning in 1993 and completed by the fall of 1995.

We were the first company in Canada to provide our Chevrolet-Oldsmobile, Pontiac-Buick, Cadillac and Passport International dealers with CFC recycling units to prevent freon from being vented into the atmosphere during routine servicing of vehicle air conditioners.

Remanufactured parts, now available from GM dealers in Canada, represent a major step in recycling used auto parts which might otherwise have simply been dumped. We are trying to ensure that as many used parts as possible can be made available through our new “GMX” line, giving our customers the option of choosing new or remanufactured parts.





As a Chevrolet Celebrity moves through the drying area in the new paint shop in Ste. Therese, Quebec, it is important to recognize that technologies used greatly reduce emissions.

“Future generations will work and live in a cleaner, safer Canada.”

In addition to product enhancements, we are also firmly committed to further reduction of emissions and solid wastes from our facilities through a variety of plant improvements.

Volatile organic compound paint complex emissions are significantly reduced in our Oshawa Truck and Ste. Therese Assembly Plants through new waterborne basecoat/clearcoat paint technologies. In other examples, the Oshawa Fabrication, Windsor Transmission, London Diesel and St. Catharines Axle Plants all have waste oil recovery systems. Also, water treatment facilities throughout GM of Canada are being upgraded. The climate control system in our new head office is unique in Canada, reducing the amount of CFCs required by almost 50 percent.

These are just a few, widely varied examples of what is being accomplished in waste and environmental management, company-wide, to fulfill our pledge that present and future generations will be able to work and live in a cleaner, safer Canada. GM of Canada is committed to continually seeking new ways to enhance our commitment to sustainable development for present and future generations. We are proud of what we have accomplished so far and will continue to work toward a cleaner Canada.



General Motors of Canada's 1989 Board of Directors, photographed with a 1908 McLaughlin Buick

(Rear, left to right)

J. Trevor Eyton, President and CEO, Brascan Ltd.

E. Michael Mutchler, Vice President and Group Executive, C-P-C

Richard M. Colcomb, Former Vice President and General Sales Manager, GM of Canada

William J. Atkinson, Vice President, Marketing, GM of Canada

Robert M. Wilson, Former Director of Purchasing, GM of Canada

(Front, left to right)

George A. Peapples, President and General Manager, GM of Canada

Ross W. McFarlane, QC, Vice President, General Counsel and Secretary, GM of Canada

Robert W. Waugh, Former President, Financial Executives Institute of Canada, Former Vice President and Finance Manager, GM of Canada

Donald T. Blight, Vice President and Director of Operations, GM of Canada

William W. Stinson, President and CEO, Canadian Pacific Limited

Terry R. Holmes, Vice President and Finance Manager, GM of Canada

Allan R. Taylor, Chairman and CEO, The Royal Bank of Canada

	1989	1988	1987	1986	1985
Net Sales	\$19,668.4	\$19,310.5	\$16,884.4	\$18,532.6	\$18,993.3
Net income	\$ 236.1	\$ 359.4	\$ 5.1	\$ 418.4	\$ 713.0
Net income percent of sales	1.2%	1.9%	—%	2.3%	3.8%
Taxes	244.7	354.1	188.1	489.6	674.6
Total capital expenditures	1,023.3	923.8	928.5	1,318.3	674.4
Expenditures for plants and equipment	365.7	485.5	581.9	838.9	541.0
Expenditures for special tools	657.6	438.3	346.6	479.4	133.4
Payrolls	1,846.7	1,690.0	1,599.6	1,642.3	1,685.5
On-roll employment	43,781	43,571	44,749	45,994	48,106

Unit Sales	1989	1988	1987	1986	1985
<i>Manufactured in Canada</i>					
Passenger Cars	414,022	410,920	339,438	531,602	562,083
Trucks	322,660	326,013	237,984	192,072	279,363
Total Factory Sales	736,682	736,933	577,422	723,674	841,446
Imported Vehicles	388,085	399,758	405,130	416,407	391,415
Total Unit Sales	1,124,767	1,136,691	982,552	1,140,081	1,232,861
<i>Unit Sales by Area</i>					
Canada	508,863	545,096	534,901	585,547	575,136
United States	606,438	580,716	443,391	548,904	647,108
Other Countries	9,466	10,879	4,260	5,630	10,617

General Motors of Canada Limited

(millions of dollars)

Assets	1989	1988
<i>Current Assets:</i>		
Cash and marketable securities	\$ 566,362	\$ 8,672
Accounts and notes receivable:		
Trade – affiliated companies	30,432	309,222
Other – trade and sundry	192,389	235,226
Inventories	1,051,655	998,112
Prepaid expenses	86,510	33,942
Deferred income taxes	141,086	118,885
Total Current Assets	2,068,434	1,704,059
 <i>Property:</i>		
Real estate, plants and equipment (Note 2)	5,068,233	4,757,456
Less accumulated depreciation	2,162,811	1,889,665
<i>Net real estate, plants and equipment</i>	<i>2,905,422</i>	<i>2,867,791</i>
Special tools – less amortization	1,044,813	824,443
<i>Net property</i>	<i>3,950,235</i>	<i>3,692,234</i>
<i>Long-term investments</i>	<i>114,171</i>	<i>149,017</i>
<i>Other assets</i>	<i>292,710</i>	<i>313,916</i>
Total Assets	\$6,425,550	\$5,859,226

Reference should be made to the Notes to Financial Statements.

Approved by the Board:

George Peaffler

Director

T. R. Holmes

Director

General Motors of Canada Limited

December 31, 1989, with comparative figures for 1988 (*thousands of dollars*)

Liabilities	1989	1988
<i>Current Liabilities:</i>		
Bank loans and cheques in transit	\$ 447,204	\$ 136,307
Accounts payable:		
Trade – affiliated companies	19,001	17,208
Other – trade and sundry	527,091	507,412
Income and other taxes payable	129,768	150,823
Other current liabilities	602,780	531,210
Total Current Liabilities	1,725,844	1,342,960
<i>Long-term debt (Note 3)</i>	<i>422,635</i>	<i>422,635</i>
<i>Deferred income taxes</i>	<i>1,046,780</i>	<i>940,678</i>
<i>Other liabilities</i>	<i>440,637</i>	<i>464,390</i>
Total Liabilities	3,635,896	3,170,663

Shareholder's Equity

Share Capital without par value:

Authorized:

An unlimited number of common shares

Issued:

703,250 shares	70,325	70,325
<i>Contributed surplus</i>	<i>36,325</i>	<i>36,325</i>
<i>Net income retained for use in the business</i>	<i>2,683,004</i>	<i>2,581,913</i>
Total Shareholder's Equity	2,789,654	2,688,563
Total Liabilities and Shareholder's Equity	\$6,425,550	\$5,859,226

General Motors of Canada Limited

December 31, 1989, with comparative figures for 1988 (*thousands of dollars*)

STATEMENT OF INCOME AND NET INCOME RETAINED FOR USE IN THE BUSINESS

	1989	1988
Net Sales	\$19,668,377	\$19,310,538
<i>Costs and Expenses:</i>		
Cost of sales and other operating charges, exclusive of items listed below	18,066,682	17,764,597
Selling, general and administrative expenses	408,499	370,664
Depreciation of plants and equipment (Note 1)	316,466	270,147
Amortization of special tools (Note 1)	437,237	264,356
Total	19,228,884	18,669,764
Operating income	439,493	640,774
<i>Other expenses – net</i>	17,763	27,998
<i>Interest Expense:</i>		
Interest on long-term debt	24,217	18,760
Other interest	3,589	3,551
Total	27,806	22,311
Income before income taxes	393,924	590,465
Income taxes	157,833	231,092
Net income for the year	236,091	359,373
<i>Net income retained for use in the business at beginning of the year</i>	2,581,913	2,330,545
	2,818,004	2,689,918
Dividends paid	135,000	108,005
Net income retained for use in the business at end of the year	\$ 2,683,004	\$ 2,581,913

Reference should be made to the Notes to Financial Statements.

General Motors of Canada Limited

Year ended December 31, 1989, with comparative figures for 1988 (thousands of dollars)

STATEMENT OF CHANGES IN FINANCIAL POSITION

	1989	1988
<i>Operating Activities:</i>		
Net income	\$ 236,091	\$ 359,373
Items not involving cash		
Depreciation of plants and equipment	316,466	270,147
Amortization of special tools	437,237	264,356
Deferred income taxes	106,102	131,632
Loss on disposal of property	10,570	51,398
Equity in earnings of associated companies	37,937	(3,965)
Net change in working capital, excluding cash	262,754	103,045
Cash generated from operations	1,407,157	1,175,986
Dividends paid	135,000	108,005
Total cash available for investments	1,272,157	1,067,981
<i>Investing Activities:</i>		
Expenditures for real estate, plants and equipment	365,695	485,478
Expenditures for special tools	657,607	438,346
Proceeds on disposal of property	(1,029)	(21,277)
Long-term investments	3,091	(4,710)
Cash used in investing activities	1,025,364	897,837
Increase in cash and cash equivalents	246,793	170,144
Cash and cash equivalents at beginning of year	(127,635)	(297,779)
Cash and cash equivalents at end of year	\$ 119,158	\$ (127,635)
<i>Cash and cash equivalents at end of year</i>		
Cash and marketable securities	\$ 566,362	\$ 8,672
Bank loans and cheques in transit	(447,204)	(136,307)
Cash and cash equivalents	\$ 119,158	\$ (127,635)
Reference should be made to the Notes to Financial Statements.		

General Motors of Canada Limited

Year ended December 31, 1989, with comparative figures for 1988 (thousands of dollars)

Note 1. Significant Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting principles, and reflect the following policies:

Transactions in Foreign Currencies:

Transactions in foreign currencies have been stated in Canadian currency at the average rate of exchange for the months in which they occurred. Assets and liabilities which are to be settled in foreign currencies have been stated in Canadian currency at the rates of exchange in effect at the balance sheet date. Forward exchange contracts, except specific hedges of future commitments, are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Premiums and discounts on such contracts are amortized over the lives of the respective contracts. Gains and losses on translation of foreign currencies are included in other income.

Income Taxes:

Income taxes are accounted for using the tax-allocation basis, under which income taxes are provided for in the year transactions affect net income, regardless of when such transactions are recognized for tax purposes. The resulting timing differences giving rise to deferred income taxes relate primarily to claiming capital cost allowance for income tax purposes in excess of depreciation of plants and equipment and amortization of special tooling expenditures charged in the financial statements, and to recording warranty expense in the financial statements in excess of that claimed for income tax purposes.

Investment tax credits which arise principally from the company making certain capital expenditures as prescribed in the Income Tax Act, are deferred and amortized over the lives of the related assets.

Inventories:

Inventories are stated at the lower of cost and market value. Cost is determined substantially by the first-in, first-out or the average-cost method. Market value is calculated as current sales price less distribution cost for finished products and as replacement cost for other inventories.

Property, Depreciation and Amortization:

Property is stated at cost. Depreciation is provided based on estimated useful lives of groups of property, generally using accelerated methods which accumulate depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated useful lives. The annual group rates of depreciation are as follows:

Classification of Property	Annual Group Rates
Land improvements	1½% to 5%
Buildings	1¼% to 3¾%
Machinery and equipment	1¾% to 15%
Furniture and office equipment	3¼% to 18¾%

Expenditures for special tools are amortized over their estimated useful lives. Amortization is applied directly to the asset account. Replacement of special tools for reasons other than changes in products is charged to cost of sales.

Long-Term Investments:

The company accounts for its investments in dealership companies, which are temporary in nature, and corporate joint ventures, on the equity basis of accounting. Equity losses of \$37,937,000 (1988 – earnings of \$3,965,000) are included in other income.

Pensions:

The company participates with affiliated Canadian companies in pension plans covering substantially all of its employees. The plans provide pensions calculated in terms of each participant's length of service, wages and salaries, and, where applicable, contributions. Net pension costs for the period consist of the cost of pension benefits provided in exchange for

December 31, 1989

employees' services rendered in the period, determined using the projected benefit method pro-rated on service and experience gains or losses as well as adjustments arising from changes in the plans and plans' assumptions.

Product-Related Expenses:

Expenditures for research and development and for advertising and sales promotion are charged to costs and expenses when incurred. Provisions for estimated costs related to product warranty are made at the time the products are sold.

Note 2. Real Estate, Plants and Equipment

<i>(thousands of dollars)</i>	1989	1988
Land, buildings and improvements	\$1,476,827	\$1,378,880
Machinery, equipment and furniture	3,452,778	2,941,813
Construction in progress	138,628	436,763
Total	\$5,068,233	\$4,757,456

Note 3. Long-Term Debt

<i>(thousands of dollars)</i>	1989	1988
Notes payable; due December 16, 1991	\$ 100,000	\$ 100,000
Notes payable; due June 29, 1992 (Swiss Francs 120,000,000)	102,635	102,635
Loans; due April 1, 2017	220,000	220,000
Total	\$ 422,635	\$ 422,635

The fixed interest rate obligations on both notes payable were swapped at the time of issue into floating interest rate obligations, based on the average 30 day Bankers' Acceptance rate of the five major Canadian banks, less a specified discount.

In the case of the Swiss Franc notes, the company entered into a currency swap agreement fixing the principal at \$102,635,000 at the time of issue.

The loans for \$220,000,000 are interest-free government loans. They provide for early partial repayment and the payment of interest in the event that the company does not meet certain operating and spending commitments.

Note 4. Pensions

An actuarial valuation is performed each year for the pension plans of the company and its affiliated Canadian companies to determine the present value of the accrued pension benefits, based on projections of employees' compensation levels to the time of retirement. Pension fund assets are carried at adjusted market values. As at December 1, 1989, the date of the latest valuation, the pension plan had a funding excess as shown below:

<i>(thousands of dollars)</i>	1989	1988
Pension plan assets, at market value	\$2,316,505	\$2,079,575
Present value of accrued pension benefits	\$2,073,398	\$2,194,626
Funding excess (unfunded liability) as at December 1st	\$ 243,107	\$ (115,051)

The company's employees represent approximately 97% of the total number of employees in the plans.

Pension expense amounted to \$42,266,500 for the year ended December 31, 1989 (1988 – \$48,353,200).

The cumulative difference between the funding contributions and the amounts recorded as pension expense is reflected in "Other Assets".

Note 5. Related Party Transactions

The company is a subsidiary of General Motors Corporation and participates with affiliated companies in the design, manufacture, assembly and distribution of products which relate to transportation equipment, consisting principally of passenger cars, trucks and locomotives as well as parts and accessories.

It has been the practice for a number of years to obtain at cost certain types of services from affiliates. In return, the company provides services at cost to affiliates.

Significant related party transactions with parent and affiliated companies, not otherwise disclosed in the financial statements, are as follows:

- (a) Net sales includes sales to parent and affiliated companies of \$11,682 million in 1989 and \$11,366 million in 1988.
- (b) Approximately 65% of total costs and expenses in both 1988 and 1989 arise from business transactions with parent and affiliated companies.

Note 6. Capital Commitments

Capital expenditures committed but not expended at December 31, 1989 amount to approximately \$172 million (1988 - \$489 million).

Note 7. Contingent Liability

There are various claims and pending actions against the company with respect to product liability, warranties and other matters arising out of the conduct of the business. Although the amounts of liability on these claims and actions at December 31, 1989 were not determinable, in the opinion of management, the ultimate resulting liability will not materially affect the financial position or results of operations of the company.

A U D I T O R S ' R E P O R T

*To the Shareholder of
General Motors of Canada Limited:*

We have examined the balance sheet of General Motors of Canada Limited as at December 31, 1989 and the statements of income and net income retained for use in the business and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells

Chartered Accountants
January 22, 1990

December 31, 1989

National Dealer Council

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Disbrowe Motors
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Gravel Pontiac-Buick-
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Flag Chevrolet
Oldsmobile Ltd.
Surrey, British Columbia

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Grant Brown Cadillac
Pontiac Buick Ltd.
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Tom Harris Chevrolet
Oldsmobile Cadillac Ltd.
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Don Huggins Chevrolet
Oldsmobile Ltd.
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Marvin Starr
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Roger Thomas
Henkel Canada Limited
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Charles Thorpe
Goodyear Canada Inc.
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Jeff E. Tunncliffe
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